

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

IN RE: . Case No. 22-19361-MBK
. .
BLOCKFI INC., et al., .
. 402 East State Street
. Trenton, NJ 08608
Debtors. .
. March 13, 2023
. 10:01 a.m.

TRANSCRIPT OF STATUS CONFERENCE HEARING
BEFORE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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1 THE COURT: Let me get myself situated here. Ready,
2 Wendy?

3 THE CLERK: Yes.

4 THE COURT: All right. Okay. Good morning,
5 everyone. This is Judge Kaplan, and we will be starting our
6 hearings on BlockFi, et al. And before I hear from debtor's
7 counsel let me just make note, I anticipate this morning to be
8 virtually all informational, no arguments are scheduled, but
9 it's an important opportunity to allow all parties to update
10 the Court and all parties in interest on where matters stand.
11 And in that regard I did want to express my appreciation to the
12 debtor and both the Official and Ad Hoc Committees on putting
13 together a joint correspondence to stakeholders trying their
14 best in these trying times to update the parties on where
15 matters stand to try to lessen the confusion that's out there.
16 And I think it was a great step in that direction.

17 Today those in court will unfortunately not have the
18 benefit of our technology of seeing who is on Zoom. Our screen
19 is not working in that regard. However, we do have Zoom
20 participants. Oh, approximately 120 or so at the moment. For
21 those who are on Zoom who want to be heard please just, as
22 always, use the raise hand function. I can certainly see you
23 all. And those in court will be able to hear you. So, at this
24 juncture let me turn to debtor's counsel. Ms. Okike?

25 MS. OKIKE: Good morning, Your Honor. Christine

1 Okike of Kirkland & Ellis on behalf of the debtors.

2 Your Honor, we wanted to provide just a brief update
3 on the debtors' cash and the current situation. So, Your
4 Honor, there have been a lot of reports of BlockFi's potential
5 exposure to Silicon Valley Bank. We have been all over this
6 situation, and the short answer is BlockFi is fine. We have
7 access to cash to operate in the normal course, including
8 paying our employees and vendors, and we expect to have access
9 to \$37 million of the \$278 million at SVB later today.

10 Your Honor, the vast majority of the debtors' funds
11 at SVB, approximately \$236 million, are invested in highly
12 rated money market funds. Fifty percent is allocated to the
13 BlackRock Liquidity FedFund Admin, and 50 percent is allocated
14 to Morgan Stanley ILF Government Insel (phonetic), both of
15 which are invested in government securities with SVB acting as
16 agent on behalf of BlockFi.

17 Once we get access to those money market funds we
18 will work with the U.S. Trustee and the Committee to make sure
19 that we are in compliance with Section 345(b). I know the U.S.
20 Trustee filed a motion on Friday, and we have every intention
21 of complying with our obligations with respect to 345(b).

22 We want to thank the U.S. Trustee and the committee,
23 who we have been in constant contact with, as the SVB situation
24 developed, and over the weekend, and who we have continued to
25 have productive conversations with leading up to this morning's

1 hearing.

2 So, Your Honor, the short answer again is we are
3 fine. There is nothing to be worried about here. And again,
4 we thank the committee and the U.S. Trustee for their
5 cooperation in this matter.

6 Once we have access to those funds and we determine
7 next steps in terms of the bank account and making sure that
8 we're protected, and it's in a safe place we will update the
9 Court, and I anticipate we'll have news on that, you know,
10 within a week or so.

11 THE COURT: Thank you. I appreciate that. I'm sure
12 it's a significant sigh of relief to those who are listening
13 and who have an interest in the financial wherewithal of the
14 debtor, and are relieved to know that it's not as desperate as
15 it seems probably to a lot of people in the room Thursday
16 afternoon and Friday, and during the weekend, and I do
17 appreciate all counsel working together.

18 In that regard I know there's other matters on for
19 today, but I would like to give the U.S. Trustee an opportunity
20 if they wish to weigh in on where we stand again to either
21 supplement or to modify what's been placed on the record.

22 MR. SPONDER: Good morning, Your Honor. Thank you.
23 Jeff Sponder, together with Andy Vara, the United States
24 Trustee.

25 THE COURT: Thank you.

1 MR. SPONDER: And Lauren Bielskie, all on behalf of
2 Andy Vara, the United States Trustee. Your Honor, at all
3 levels of the United States Trustee program we have been
4 engaged to ensure estate funds are available and protected. We
5 do appreciate the cooperation of all counsel in these cases.
6 We have worked diligently with debtor and committee counsel
7 throughout this case, and especially this weekend, and will
8 continue to work with the debtors as they become 345 compliant
9 so that all estate funds will be protected. Thank you, Your
10 Honor.

11 THE COURT: Thank you. Would it be best to keep a --
12 date going forward for these -- the compliance issues so that
13 we can have a follow up conference, or if need be, hearing?

14 MR. SPONDER: Your Honor, Jeff Sponder again from the
15 U.S. Trustee. I think that would be appropriate. I know
16 counsel for the debtor has advised within a week, so I don't
17 know if we have a hearing scheduled?

18 UNIDENTIFIED ATTORNEY: I think we have a hearing on
19 the 23rd.

20 THE COURT: Let's see. We do have -- we have you all
21 on for the 23rd. So, why don't we just carry the U.S.
22 Trustee's motion to that date? We can always adjust the
23 schedule from there if we need more time. And obviously,
24 again, my thanks to the U.S. Trustee, who was able to put this
25 matter on, get papers filed on short notice on Friday, and we

1 were able to schedule the hearing. If there is a need to do
2 that again the Court will make itself available, but otherwise
3 we'll carry the U.S. Trustee's motion to 3/23 with two other
4 matters that are on. Then let me -- is there anyone else who
5 wants to be heard on the cash management issues before we move
6 on to other issues? I see no one -- no hands raised. So, let
7 me, again, go to debtor's counsel for the next matter.

8 MS. OKIKE: Thank you, Your Honor. Christine Okike
9 again on behalf of the debtors. Your Honor, the next item on
10 the agenda is a status update on the Wallet withdrawal motion
11 which was filed at Docket Number 121. So, last Wednesday, as
12 Your Honor noted, the debtors filed a joint letter among the
13 debtors, the committee and the Ad Hoc Committee of Wallet
14 Holders to provide an update to BlockFi's clients with respect
15 to BlockFi's request to return the digital assets in the Wallet
16 accounts as of the platform pause to their clients as soon as
17 possible.

18 The debtors understand that our clients want the
19 Wallet withdrawal motion resolved promptly, and so do we, and
20 we are actively working with the Committee, the Ad Hoc
21 Committee, and Deferred 1031 to achieve that goal.

22 Your Honor, when we filed the Wallet withdrawal
23 motion two things happened. First, the committee advised the
24 debtors that it was supportive of returning some Wallet
25 holdings to clients, but only if BlockFi clients with those

1 Wallet holdings were not subject to potential avoidance claims
2 or clawbacks. Determining which clients might be subject to
3 clawbacks is a very complex issue, and the debtors understand
4 that the committee's diligence with respect to that is ongoing.

5 Second, the members of the Ad Hoc Committee and
6 Deferred 1031, who are BlockFi clients who attempted to
7 transfer digital assets from their interest-bearing accounts,
8 or BIA's, to Wallet after the platform pause, which was 8:15
9 p.m. eastern on November 10th, 2022, contended that their
10 holdings should be treated the same as those clients who had
11 Wallet holdings in Wallet at the time of the platform pause.

12 Both the debtors and the committee dispute that
13 position, but the Ad Hoc Committee and Deferred 1031 have the
14 right to have their arguments heard before the Court. The
15 debtors have provided the Ad Hoc Committee and Deferred 1031
16 with a substantial amount of information. We responded to
17 about 60 questions that they had with respect to the platform
18 pause and actions that the debtors took to help resolve this
19 issue. But the debtors understand that the Ad Hoc Committee
20 and Deferred 1031's diligence also continues. There are no
21 open diligence requests from our perspective, and to the extent
22 that they do have additional diligence requests, we would ask
23 that they provide them promptly.

24 Your Honor, we have reserved time on the Court's
25 calendar on April 19th to resolve the issue of whether the

1 attempted transfers of the Ad Hoc Committee and Deferred 1031
2 after the platform pause should be treated as Wallet holdings
3 as of the platform pause. We really view that as an initial
4 issue that should be decided before you even get to the
5 question of dealing with potential preferences for people who
6 are in Wallet. So we expect to go forward on April 19th absent
7 a resolution or agreement between the parties before then, and
8 we are happy to continue to work with the Ad Hoc Group, as well
9 as Deferred 1031 to reach a consensual resolution.

10 THE COURT: So I believe that's Docket Number 559,
11 the pause motion. So that's going to be -- in essence that's
12 going out on the 19th to be argued unless there's a resolution?

13 MS. OKIKE: Correct, Your Honor.

14 THE COURT: Okay. Great.

15 MS. OKIKE: So we will submit a supplemental briefing
16 schedule to Your Honor. We continue to have discussions with
17 the Committee, the Ad Hoc Group, as well as Deferred 1031 on
18 that schedule.

19 THE COURT: All right. Great. Thank you. Does the
20 committee wish to be heard?

21 MR. AULET: Good morning, Your Honor. Kenneth Aulet
22 of Brown Rudnick for the Committee. Just to reiterate, the
23 Committee does view it as important to return these funds to
24 Wallet Holders as quickly as possible and as soon as it can be
25 determined by Your Honor, or hopefully by agreement who the

1 Wallet Holders are. Ms. Okike mentioned the preference
2 diligence. We fully expect that that will be done by April
3 19th, and the Committee has completed its diligence into all of
4 the factual issues surrounding the issues to be decided on the
5 19th. And unless Your Honor has any other questions, thank you
6 for your time.

7 THE COURT: No. Thank you, Mr. Aulet. Ms. Kovsky, I
8 see your hand raised?

9 MS. KOVSKY: Thank you, Your Honor. Deb Kovsky,
10 Troutman Pepper, for the Ad Hoc Committee. I wanted to just
11 clarify a couple of things for the record. (indiscernible)
12 referred to my client's transfers as attempted transfers,
13 obviously we dispute that characterization. With respect to
14 diligence that remains ongoing, the debtors have answered some
15 but not all of the questions that were posed to them. We
16 appreciate that information, but our diligence is ongoing, and
17 we are attempting to work out a schedule that enables the Ad
18 Hoc Committee and Deferred 1031s to take appropriate discovery
19 in order to be able to put all of the facts before Your Honor,
20 and though we have reserved time on April 19th, we do reserve
21 the right to seek an extension of that date should it be
22 necessary in order for us to complete our discovery.

23 THE COURT: All right. I hear you. Obviously with
24 respect to outstanding discovery I will just ask that counsel
25 do their best to confer as quickly as possible so we can move

1 the process and not have a hold up over discovery issues.

2 All right. I don't see --

3 MR. STARK: Your Honor?

4 THE COURT: Mr. Stark?

5 MR. STARK: Thank you, Your Honor. With Your Honor's
6 indulgence, I know that normally we handle each matter with one
7 lawyer, but I want to be constructive, and so --

8 THE COURT: That's fine.

9 MR. STARK: Thank you. It's very important to the
10 Committee that issues move along quickly, and that this case
11 moves along quickly. And this is an important issue, and I
12 make -- and I have absolute respect for the position Ms. Kovsky
13 is raising. I just want to rise, put a stake in the ground for
14 maybe -- we'll come back to it at a different date, we want to
15 move this issue along. So I know we got our diligence done
16 quickly. She has a job to do, and I fully respect the job. I
17 just -- if there are issues in terms of discovery, if there are
18 issues in terms of diligence let's learn about them now, let's
19 obviate them now so we can resolve this issue once and for all,
20 in due course, and due course being on the nearer side, not the
21 farther side. So that's all I wanted to say, Your Honor.

22 THE COURT: No. I appreciate that. And I was going
23 to follow up, I thank you, follow up I'd rather be -- that we
24 have quick calls to resolve discovery issues in the short term.
25 The Court will always make itself available for a call rather --

1 - and we don't need motion practice, we don't need letter
2 writing as much as just reach out and we can talk about these
3 issues.

4 MR. STARK: Thank you, Your Honor.

5 THE COURT: All right. Thank you. Thank you, Ms.
6 Kovsky. All right. I think -- Mr. Kanowitz?

7 MR. KANOWITZ: Yes, Your Honor.

8 THE COURT: We come to the emergent matter?

9 MR. KANOWITZ: Yes, Your Honor. May it please the
10 Court, Richard Kanowitz of Haynes and Boone, co-counsel to the
11 debtors and debtors-in-possession. Your Honor, I just wanted
12 to give you a quick status of the emergent matters. There were
13 a lot of things going on behind the scenes that I want you to
14 be apprized of so that if and when we get in front of Your
15 Honor you are not surprised.

16 So, as you see as you entered the order on Docket 61,
17 we extended the time for Marex to move her answer to 5/1.

18 THE COURT: Right.

19 MR. KANOWITZ: Likewise, on Docket Number 60 we
20 extended the pretrial conference date to April 19th. I expect
21 that potentially to move again.

22 THE COURT: That was one of the matters I was going
23 to raise. It doesn't make much sense if we are extending the
24 answer until 5/1.

25 MR. KANOWITZ: We were going to take it in chunks

1 because, you know, tomorrow is a trial in the emergent
2 bankruptcy case. Let me get to that point.

3 THE COURT: Sure.

4 MR. KANOWITZ: So, you know, coming out of the
5 hearing on January 9th you directed us to file an amended
6 complaint, and we worked on that. And the DOJ took interest in
7 that and asked us for a copy, and we sent it to them. And that
8 took weeks of discussions with them, and coming out of their
9 review they said to us in no uncertain terms your amended
10 complaint interferes with the criminal prosecution of Sam
11 Bankman-Fried and other investigations and potential
12 prosecutions, and that you also, by virtue of some of the
13 issues raised in the adversary proceeding complaint interfere
14 with what they believe is the current civil and criminal
15 forfeiture proceedings. We obviously looked at the law. We
16 came to a conclusion, and the outcome of our discussions,
17 because it's not an agreement with the DOJ, but you have
18 discussions with the DOJ and they tell you what they think, and
19 you decide what to do next.

20 Well, what we decided to do was file the amended
21 complaint but then ask Your Honor to stay it. Right? And go
22 through those issues as to why it matters for us to file an
23 amended complaint and for us to stay it pending prosecution of
24 Sam Bankman-Fried, and the civil and criminal forfeiture
25 proceedings, which unfortunately will be many years down the

1 road, and occur in the Southern District of New York if in fact
2 we agree, and, you know, we looked at the law, that the
3 Southern District of New York really has jurisdiction over the
4 disputes, all of the disputes.

5 We never got to that point, to filing and seeking a
6 stay because Emergent filed for bankruptcy.

7 THE COURT: Right.

8 MR. KANOWITZ: So we have taken the next step to move
9 to dismiss the emergent bankruptcy case for a host of reasons.
10 They're public records. I don't need to argue them here or
11 point them out. Obviously we're raising two key issues, the
12 good faith of that filing by the JPLs in Antigua, as well as
13 the fact that the money has been -- and the assets have been
14 seized. And if the government is right, and I believe they
15 are, then these disputes are not going to happen in any
16 bankruptcy court, but they are going to happen in the Southern
17 District of New York at some time in the future.

18 So, we are going tomorrow and we're going to have a
19 whole trial, witnesses, et cetera. We'll see what Judge Dorsey
20 does. In the meantime we are talking to the DOJ and Emergent,
21 and I believe FTX is also involved because they have tried to
22 intervene in our motion to dismiss, to see if maybe fiduciaries
23 can come to the table and actually figure out the right path to
24 not waste legal fees, estate resources, et cetera.

25 I'm hopeful we get there. If not, well, we'll have

1 our trial tomorrow, and we will proceed accordingly.

2 The one thing that I want to put on the record that's
3 crystal clear, Your Honor was very, very clear that you believe
4 you have jurisdiction over the debtors' interest in the
5 guarantee and pledge agreement, and the shares to the extent
6 now you have it, or don't have it, by virtue of the seizure.
7 We are going to defend that jurisdiction, and we're going to
8 defend property of the estate no matter where it's litigated.
9 And I just wanted to leave that on the record, so that everyone
10 is clear that we are vigilant in protecting what we believe are
11 the victims of the FTX, Sam Bankman-Fried/Emergent fraud.

12 THE COURT: Thank you, Mr. Kanowitz.

13 MR. KANOWITZ: Thank you.

14 THE COURT: I appreciate the update. I don't see
15 anybody on Zoom looking to comment further. I don't see any
16 raised hands. Let me just ask, with respect to that pretrial
17 date, do you want to leave it on for now, or should I be moving
18 it into May?

19 MR. KANOWITZ: We didn't have a May court hearing --

20 THE COURT: Right.

21 MR. KANOWITZ: -- to suggest that. But once we do
22 establish it, yes, we should make an application, however you
23 want it on the record, like we did -- or in pleading like we
24 did last time to move it. But, yes, it has to be moved pending
25 what happens in Emergent's own bankruptcy case.

1 THE COURT: All right. We're going to get to
2 scheduling. I have some suggested dates. And we'll talk about
3 it before the end of the hearing this morning.

4 MR. KANOWITZ: Thank you, Your Honor.

5 THE COURT: Thank you.

6 MR. KANOWITZ: I'll cede podium to Ms. Chavez.

7 THE COURT: Ms. Chavez, good morning.

8 MS. CHAVEZ: Good morning, Your Honor. Jordan Chavez
9 with Haynes and Boone, on behalf of the debtors. Just two
10 procedural motions that are both uncontested that we wanted to
11 take up with Your Honor today. The first one is the motion we
12 filed to extend the removal deadline at Docket Number 500,
13 which was followed by this Court's bridge order at Docket
14 Number 514. In that motion we're asking for an extension of
15 the removal deadline to May 27th, 2023, and we received no
16 objections or informal comments to this motion or the proposed
17 order, so we would ask that Your Honor grant the motion and we
18 will get with local counsel to submit the proposed order to
19 chambers.

20 THE COURT: That's fine. I have gone through it.
21 There are no issues with it. We'll mark it granted, and we'll
22 mark it order to be submitted.

23 MS. CHAVEZ: Thank you, Your Honor.

24 THE COURT: Thank you.

25 MS. CHAVEZ: The second motion is the motion for the

1 claims procedures that we filed at Docket Number 535, which is
2 designed to streamline the claims reconciliation and objection
3 process. The proposed order that we filed with the motion
4 already incorporated the constructive comments that we received
5 from Committee counsel. And then we received some informal
6 comments after filing the motion from Arch, which is one of the
7 debtors' insurers, and we filed a notice of revised proposed
8 order for that at Docket Number 586. There were no additional
9 comments and no other objections received, and the only change
10 that we reflected in the revised proposed order was we had a
11 basis for an objection if the insurers were obligated to make
12 the payment rather than the debtors, and the insurer
13 understandably just wanted a clarification that that would only
14 be after a determination by this Court or another court of
15 competent jurisdiction.

16 So with that I would ask Your Honor to grant the
17 motion, and again, we will get with local counsel to submit the
18 proposed order to chambers.

19 THE COURT: I only had one question, and I think it
20 all makes sense in how it's laid out. Service of the omnibus
21 objections, and we're relaxing our local and the federal rule
22 as far as grouping and hundreds and the like. But how is
23 service being undertaken on an individual claimant. I thought
24 I saw -- we went through it, and it referenced both mail and e-
25 mail. Can you be more specific as to how -- what's the

1 intention as far as service on the claimants?

2 MS. CHAVEZ: Yes, Your Honor. To the extent we have
3 both mail and e-mail information we are having Kroll serve them
4 via both methods of process, and so that would be the measure
5 we would take here, as well. Given the interim redaction order
6 we are serving them directly and trying to keep all of their
7 personal information confidential while doing so.

8 THE COURT: And I understood in reading through
9 you're also trying to make a point to the -- to the claimants
10 that they should, in their responses, respect the
11 confidentiality, as well.

12 MS. CHAVEZ: Yes, Your Honor.

13 THE COURT: And redaction. It may be that
14 individuals need some assistance, and I think you included
15 contact information, as well, both at Kroll and at the firms,
16 correct?

17 MS. CHAVEZ: Yes, Your Honor. We included my direct
18 contact information, as well as one of my colleagues, Mr.
19 Zavala, so they can directly reach out to us if they have
20 questions or need assistance, and of course to hopefully
21 informally resolve the objections so we don't have to take up
22 court time.

23 THE COURT: I'm just judging from some of the e-mail
24 that my chambers received from claimants, unfortunately the --
25 claimants tend to be more liberal or loose unintentionally with

1 their own personal identifiable information. We end up sealing
2 and redacting their information we're not putting on the docket
3 to protect them, so it's a difficult issue, but I think the
4 notices are there to -- to admonish them to be careful on their
5 own end.

6 I don't have any other issues. Anyone in court have
7 any issues on the objection, claims procedure motion? I know
8 you have gone through it with all the parties. I see no
9 questions, so it will be -- an order to be submitted?

10 MS. CHAVEZ: Yes, Your Honor. Thank you.

11 THE COURT: All right. Thank you. All right. That
12 goes through I think what we had on our agenda. Let -- oh, Mr.
13 Stark?

14 MR. STARK: If Your Honor will allow me --

15 THE COURT: Yes.

16 MR. STARK: -- I wanted to spend a minute on
17 something that Your Honor just touched upon which Your Honor
18 touched upon at the beginning of the hearing, as well, and I
19 wanted to do something, if Your Honor will allow me.

20 THE COURT: Sure.

21 MR. STARK: Your Honor mentioned the letter that the
22 debtors and the committee and others circulated to the
23 customers, and Your Honor made reference again to the customer
24 creditor outreaches to the Court, perhaps with chambers. I'd
25 like to address that just for a moment if I can.

1 We as a committee acknowledge not only do we have a
2 statutory and fiduciary obligation to talk to customers and
3 creditors in the normal case, this is not the normal case.

4 THE COURT: Right.

5 MR. STARK: Customers and creditors here lost their
6 life savings, lost their wages, and they are worried, and we
7 get that. We've been in existence, at least with
8 professionals, for under three months. It seems like for the
9 people who lost their money that seems like an eternity, and we
10 are very sensitive to that, but for bankruptcy there's a lot
11 that has to go on in the initial stages of bankruptcy and
12 especially in a sensitive case, disables the kind of direct
13 communication that I know folks are really thirsting for and
14 need.

15 We set up a website, we have a Twitter feed, but we
16 acknowledge, and we have to acknowledge that a number of -- of
17 inbound calls and e-mails that I know Your Honor's chambers
18 have been receiving, we want to put a stop to that. We want to
19 help the community more. The first thing I can do right now is
20 on the record to those who are listening in, my name is Robert
21 Stark. I work at a firm, Brown Rudnick. My e-mail is
22 Rstark@brownrudnick.com. My telephone number is 212-209-4862.
23 Any customer or creditor who is listening in who wants to find
24 out information about this case please call or e-mail me, and
25 we will respond within 48 hours. It is not the Court's job to

1 respond, it is mine, and we will do that.

2 The second thing that I can do for Your Honor and for
3 all those who are listening, the committee understands and has
4 spent an awful lot of time in the last two weeks specifically
5 to come forward with a program for reaching out to the
6 customers and consumers. There are a whole host of different
7 ways that we can try to do it, from town hall meetings to
8 Reddit Q&A's, to inbounds and outflows. We have to be
9 thoughtful and we have to be disciplined. There's an awful lot
10 going on, and again, it's a very sensitive case. We have our
11 own confidentiality issues and fiduciary issues. But we know
12 that there's more that we can be doing, and so we are right
13 about to launch. But for the issues of last week it probably
14 would have happened last week.

15 THE COURT: Right.

16 MR. STARK: We are about to launch a program where we
17 are going to be much more communicative with the community
18 outside, and they will have much easier access to us. They
19 will know our names. They will know that we are standing by.
20 They will have information, much more information, but it won't
21 be sensitive information that we believe might inhibit our
22 ability to resolve this case quickly, but they will have
23 greater understanding and less confusion. And so that's about
24 to get launched right now. I just want Your Honor and everyone
25 listening to know that.

1 THE COURT: That's great. I appreciate that, Mr.
2 Stark. I know my law clerks appreciate it.

3 MR. STARK: You've been dealing with a lot. I
4 apologize.

5 THE COURT: Reducing the burdens on the Court. But
6 -- because we would just defer it to you all, and send the
7 names along. I think -- I look forward to the enhanced
8 communication, and I think it will be worthwhile. I appreciate
9 it. Thank you.

10 Let's talk about some calendar events.

11 MR. KANOWITZ: Your Honor?

12 THE COURT: Yes?

13 MR. KANOWITZ: Just one item to tag along.

14 THE COURT: Sure.

15 MR. KANOWITZ: And we appreciate, you know, the
16 Committee, and especially Mr. Stark taking the laboring oar on
17 communicating with his constituency, but just so you know, we
18 get daily inbounds both at Haynes and Boone and Kirkland &
19 Ellis, and we respond by e-mail and we have a team working to
20 get those creditors information about the Kroll website, the
21 process for filing proofs of claim. So the debtors' estate
22 recognizes that this is a -- I would say a choppy process, but
23 one that needs to have all resources devoted so it's
24 transparent and people have confidence that this case is moving
25 forward and one day, you know, they will be taken care of as

1 best we can.

2 THE COURT: No. I appreciate that. I appreciate the
3 debtors' efforts. It -- I'd just remark the Chapter 11 process
4 -- practice has certainly changed in a decade. The ability
5 through the use of these claims agents, the websites, the --
6 what we -- what I can't help but see and hear on You Tube and
7 Twitter, it changes the landscape, and I think for the better
8 in transparency, even the ability to make our hearings
9 available on Zoom. So -- and I thank the professionals for
10 their work. I know it's difficult given that these are
11 personal -- this impacts the lives of many. Thank you.

12 MR. KANOWITZ: You're welcome. And on behalf of the
13 estate and all the professionals we do appreciate chambers
14 dealing with these issues, and we're happy to be as responsible
15 as you want us to be in connection with inbounds to the Court.

16 THE COURT: Great. All right. Thank you. Thank you
17 again. So, let me go through what I have coming up, and you
18 can all correct me where we have missed something. Our next
19 date is March 23rd. We have two matters that had been
20 scheduled, the sale motion and the extension of time to assume
21 or reject. I think that's 571 and 572. Those are still
22 scheduled for March 23rd. We have added the carry trustee 345
23 motion. The next date after that is April 19th, in which we
24 have what I call the pause motion, as well as the pause motion,
25 as well as the first -- that's Number 559. And the first

1 omnibus claims objection motion that was filed, that's 573.

2 Did I miss --

3 MR. KANOWITZ: And then there's another motion, Your
4 Honor, where we are seeking to return the ACH payments that are
5 held by Scratch to customers in California.

6 THE COURT: Correct.

7 MR. KANOWITZ: Oh. And then it's anticipated that
8 that date will also be a motion for exclusivity, to extend the
9 debtor's exclusivity.

10 THE COURT: All right. So, a motion --

11 MR. KANOWITZ: Will be filed in due course.

12 THE COURT: -- for exclusivity -- those are all
13 intended for 4/19?

14 MR. KANOWITZ: Correct.

15 THE COURT: We have a date that I converted to an
16 omnibus date. It was the date for the initial disclosure
17 statement, and -- disclosure statement hearing. That's May
18 8th. No. We need May dates. I just turned that May 8th date
19 into an omnibus date, so that's available for parties. And we
20 have to place -- we have what I'll call the redaction motions,
21 including the confidential party -- it's -- early on, number
22 four on the docket, as well as I believe 127, confidential
23 party status, and also I think redaction relative to Kroll,
24 Number 443. Those three redaction motions, sealing motions, we
25 need to put on a date. So, we have now through -- we have

1 4/19. We have through 5/8. And I can make two other dates
2 available in May. Do you have a preference?

3 MR. KANOWITZ: I think May 8th is fine.

4 THE COURT: Then we'll carry those.

5 MR. KANOWITZ: Yeah. I can give you a status update
6 as to the counterparty sealing as well as the PIA redaction.

7 THE COURT: Yes.

8 MR. KANOWITZ: Mr. Sponder? Oh. There you are.

9 THE COURT: There he is.

10 MR. KANOWITZ: Sneaking up on me. So, the PIA
11 redaction motion obviously a huge concern for not only the
12 debtors but the committee, as well as the Ad Hoc Group, who
13 have filed joinders. We'll try to have a discussion with the
14 U.S. Trustee to see if we can resolve it. If not we are going
15 to have to have a hearing. As to the counterparty redaction
16 motion, what we agreed to with the U.S. Trustee for the
17 adjournment is we'll take it in chunks, meaning once we have
18 completed a sale and the counterparty disclosure is not any
19 more prejudicial to the estate and the process, we will file
20 supplemental retention, you know, declarations and all those
21 things to make those disclosures.

22 The issue becomes, though, and a lot of professionals
23 who are going to file supplemental papers, so we've got to work
24 out a process so that we don't have 20 filings for every minor
25 transaction.

1 THE COURT: All right.

2 MR. KANOWITZ: So we've got to figure that one out,
3 but that's our goal. It is on a rolling basis to actually make
4 those disclosures when they are not prejudicial to the estate
5 of the counterparties who are no longer vying for estate assets
6 in one way or another.

7 THE COURT: All right.

8 MR. KANOWITZ: So I think carrying it to the 8th is
9 important. That particular counterparty sealing motion may get
10 kicked again based on what's happening. And if we don't come
11 to an agreement on the PIA redaction motion in whole or part we
12 are probably going to have to have a hearing on that.

13 THE COURT: Fair enough.

14 MR. KANOWITZ: With witnesses.

15 THE COURT: Then Docket Number -- the matters
16 reflected by Docket Numbers 4, 127 and 443 will be carried to
17 5/8 at ten o'clock. And then as far as other May dates I have
18 -- it doesn't make sense to have one a week later, 5/15. I
19 have 5/15 and 5/29 available.

20 MR. KANOWITZ: I think we should hold the 5/29, just
21 in case --

22 UNIDENTIFIED ATTORNEY: That's Memorial Day?

23 THE COURT: Reserve it, because, you know, if I get
24 booked --

25 MR. KANOWITZ: Yes.

1 THE COURT: -- you know, future filings --

2 MR. KANOWITZ: It's Memorial Day. Your Honor, it's
3 Memorial Day.

4 THE COURT: Memorial Day? And that's a problem?

5 MR. KANOWITZ: Well, hopefully I'll be on a golf
6 course somewhere, but yes.

7 THE COURT: Then -- let's see. Well, we can do 5/22
8 in the afternoon, or then the next Monday is 6/5, June 5th.
9 I'm trying to spread it out.

10 MR. KANOWITZ: Why don't we do 6/5, if we need to
11 come back to court. You know, some of these hearings may very
12 well be Zoom --

13 THE COURT: Right.

14 MR. KANOWITZ: -- as opposed to being in person.
15 While we like being in person, to the extent we need relief we
16 can always set something up.

17 THE COURT: That's fine. And to the extent that
18 emergent matters may arise, we'll schedule it either on my
19 motion day, normal motion day, or as needed.

20 MR. KANOWITZ: Yes. So, just to bring something to
21 the Court's attention on the record, two class action
22 complaints were filed, some of which have been served. The
23 debtor intends on filing today an adversary proceeding
24 complaint seeking to stay those pending confirmation in the
25 usual course, you know, under 105, 362, and for all the

1 arguments that have been made before we get to our complaint
2 filed, and that others have made. You know, we are going to
3 reach out to the plaintiff firms who started the class action
4 lawsuits. There are two, one in Jersey in the district court,
5 and one in Massachusetts, and we are going to see if they will
6 voluntarily stay these proceedings, whether we do it in chunks
7 or whether we do it wholesale. You know, we'll discuss it with
8 them. But if they do not agree to avoid prejudice to the
9 estate in any defaults or admissions which we believe is
10 prejudicial we will come before Your Honor seeking a TRO in the
11 first instance, so that might be later on this week, depending
12 on how our discussions go. And we just wanted to alert Your
13 Honor because we may be making that request, and then Your
14 Honor can direct whether that be in person or by Zoom.

15 THE COURT: All right. Great. Then we will see if
16 there's a need, and then we'll decide how to go about as far as
17 the hearing, I would anticipate Zoom would make the most sense.

18 MR. KANOWITZ: That would be fine with us, Your
19 Honor.

20 THE COURT: So, are there any other matters that
21 anyone wishes to raise? Mr. Sponder?

22 MR. SPONDER: Thank you, Your Honor. I just wanted
23 to piggyback off of Mr. Stark's comments to customers, and just
24 set forth on the record also that if customers do receive
25 correspondence requesting their personal information that they

1 should reach out to the United States Trustee's Office.

2 THE COURT: Great. Thank you. I appreciate that, as
3 well. A quick question on the sale motion. Can we give a
4 short update? Are we going forward with the motion? I don't
5 know what transpired with the transaction.

6 MS. OKIKE: Yes, Your Honor. We do anticipate going
7 forward with the motion. And to my knowledge it will not be
8 contested, but I don't believe the objection deadline has run.

9 THE COURT: Okay. All right. Then we're good. I
10 appreciate everybody's efforts. And reach out for chambers as
11 the need arises. Otherwise, be safe. Take care.

12 MR. KANOWITZ: Thank you, Your Honor

13 MS. OKIKE: Thank you, Your Honor

14 UNIDENTIFIED ATTORNEY: Thank you, Your Honor.

15 THE COURT: And we're done. Goodbye. Okay. Great.
16 Thank you. Thank you all.

17 MS. OKIKE: Thank you.

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C E R T I F I C A T I O N

I, TAMMY DeRISI, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, and to the best of my ability.

/s/ Tammy DeRisi

TAMMY DeRISI

J&J COURT TRANSCRIBERS, INC.

DATE: March 14, 2023